



**American Gilsonite Company**

Bonanza Minesite  
HC 73 Box 28  
Vernal Utah 84078-9284 • Phone (435) 789-1921 • Fax (435) 789-1956

m/47/010  
**RECEIVED**

**JUN 07 2000**

**DIVISION OF  
OIL, GAS AND MINING**

**Certified Return Receipt**

May 31, 2000

Mr. D. Wayne Hedberg  
Permit Supervisor, Minerals Regulatory Program  
State of Utah, Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801

Re: Approval of I-12 Amendment, American Gilsonite Company, Bonanza  
Operations, M/047/010, Uintah County, Utah

Dear Mr. Hedberg:

This letter provides the information requested in your May 17, 2000 letter and confirms the discussions we have had with your staff concerning the Division of Oil, Gas and Mining's ("Division's") tentative approval of American Gilsonite Company's ("AGC's") proposed I-12 operations on state lease ML-851.

We understand that as part of the Division's approval of our I-12 amendment to our existing large mine operations notice of intention, Division staff conducted a detailed review of current reclamation cost estimates for our entire operations. As we have discussed with your staff, we believe the Division's current estimate of \$844,000 (escalated to year 2005 dollars) should be readjusted to a total of \$463,608. This estimate more accurately reflects local contracting and equipment rental costs, and the actual type and number of mine sites requiring reclamation bonding with the state. Additionally, in order to expedite approval of our I-12 amendment and allow us to begin work on sinking the shaft as soon as possible, we request that the existing \$5,000 bond currently held by the State Institutional Trust Lands Administration ("SITLA") for reclamation of our E-31 operations be transferred to cover our proposed I-12 operations. The overall bond for our operations would be changed to cover the E-31 operation.

Enclosed for your review are detailed responses to your comments, formatted under the applicable Mineral Rule heading. In summary, these enclosures provide the following information: (1) a surface facilities map (R647-4-105.2), (2) a plan for protecting and redepositing soils (R647-4-106.6), (3) an impact assessment of surface and groundwater

(R647-4-109.1), and (5) a revised calculation of reclamation surety and a summary listing of mines sites and acreages (R647-4-113). As noted in your May 17 letter, AGC provided DOGM with sufficient justification by fax correspondence dated May 5, 2000 for a variance regarding soil salvage and replacement for the I-12 operation (R647-4-112).

The Division's current reclamation estimate is based on a total of 41 mines sites with different costs estimates for 5 categories of sites: 32 "typical mine sites" which include equipment, 5 escapeway sites without equipment, 0 sites with reseeding only, 1 site and 1 escapeway bonded with SITLA (removed from new bonding), and 2 future mining sites proposed to be blasted closed. As shown in the enclosed summary of mine sites, the Division's current estimate several sites recently removed following a May 24, 2000 site inspection by Division staff, several sites listed as a "typical mine site" that should be counted as a site without equipment and several sites covered by bonding with the Bureau of Land Management ("BLM"). As we have previously discussed with your staff, the Division also has overestimated the unit costs of reclamation. The enclosed reclamation unit cost estimates provide documentation for a revised calculation based on local contracting and equipment rental costs.

To summarize the enclosed documentation, current reclamation cost estimates should be based on 28 mine sites in 5 categories requiring reclamation surety with the State as follows:

- 16 typical mines sites with equipment,
- 3 typical escapeway sites with equipment,
- 4 sites without equipment,
- 3 sites that require reseeding only, and
- 2 sites that require only caps.

The enclosed revised summary list accurately reflects the current condition of our operations and excludes costs for 8 sites on the Division's list that are covered by bonding with the BLM (B-44, WH-3, WH-7, WH-12, I-30, LE-5, LE-6 and LE-7). Costs for the two sites covered by SITLA bonds (I-30 and I-12 [assuming Division approval to transfer the existing SITLA bond from E-31]) are also excluded, as shown in the Division's list. This revised summary also excludes two sites released following the Division's May 24 inspection and two sites that we requested release in the letter dated May 25, 2000. We also specifically request that the Division remove the two future sites for which blasting is proposed (WH-3 and WH-7) from the reclamation list for two independent reasons. First, as stated above, these sites are BLM sites and should not be covered by the state list. Second, even if for some reason covered by the state, because there is no current mining disturbance of these sites, reclamation bonding should be



Mr. D. Wayne Hedberg

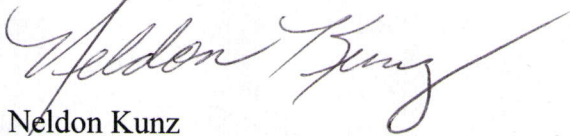
Page 3 of 3

postponed until, and if, these mine sites are activated at the time the State conducts the next update of reclamation costs.

By submission of this letter and enclosures, we request final approval of our I-12 amendment and a final review of our overall surety bonding requirements.

If you have any questions or comments, please contact me at your earliest convenience at (435) 789-1921. Thank you and your staff for your time and cooperation in completing this permitting action.

Sincerely,

A handwritten signature in cursive script, reading "Neldon Kunz". The signature is written in dark ink and is positioned above the printed name and title.

Neldon Kunz

Mine Superintendent

American Gilsonite Company

May 31, 2000

RECLAMATION ESTIMATE

Reclamation--typical mine site

Description	DOGM		AGC	
	Quantity	Units	\$/Unit	Cost(\$)
Dismantling-crane	4	hr	199.19	797
Dismantling-crane operator	4	hr	41.43	166
Dismantling-laborers	16	hr	34.73	556
Dismantling-dozer	4	hr	147.57	590
Dismantling-dozer operator	4	hr	40.87	163
Shaft capping-laborer	16	hr	34.73	556
Shaft capping-supplies, materials	1	ea	800.00	800
Reclaiming-dozer	4	hr	147.57	590
Reclaiming-dozer operator	4	hr	40.87	163
Reseeding-mtls,seed/mulch/fertilizer	1	acre	280.00	280
Reseeding-apply mulch and fertilizer	1	acre	56.00	56
Reseeding-tractor and seed drill	2	hr	60.00	120
Reseeding-tractor operator	2	hr	34.73	69
subtotal per mine site				4907
				3156

Description	DOGM		AGC	
	# sites	\$/site	# sites	\$/site
Mine summary	32	157,024	16	3200
typical mine sites w/equip	5	6,395	3	2500
typical escapeways w/equip	0	0	4	1750
sites w/o equip	0	0	3	450
sites reseeding only	0	0	2	750
sites cap only	2	0	4	0
released	2	0	1	0
Bonded w/ SITLA	2	35000	2	0
WH-3 & WH-7 (BLM future sites)	41	233,419	6	0
BLM (current sites)				
SUBTOTAL				68,550

Reclamation--operational facilities

Description	DOGM		AGC				
	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)	SOURCE
Ten Laborers	42	day	2778	116,676	1800	75,600	Ouray Construction
Two dozers	21	day	2361	49,581	2256	47,376	Tom Lison or Stubbs
Two dozer operators	21	day	654	13,734	inc	0	
One crane	42	day	1594	66,948	840	35,280	J&C Enterprises, Inc
One crane operator	42	day	331	13,902	176	7,392	J&C Enterprises, Inc
Tractor trailer	2	day	10858	21,716	10858	21,716	DOGM
Tractor trailer operators	42	mo	271	11,382	176	7,392	J&C Enterprises, Inc
One FE loader	42	day	326	13,692	326	13,692	DOGM
One FE loader operator	42	day	327	13,734	176	7,392	J&C Enterprises, Inc
Seed, mulch & fertilizer	24.6	acre	280	6,888	280	6,888	DOGM
Applying mulch and fertilizer	24.6	acre	56	1,378	na	0	DOGM
One farm tractor & seed drill	2	day	480	960	480	960	DOGM
One Tractor operator	2	day	278	556	176	352	J&C Enterprises, Inc
Subtotal				331,147		224,040	

Reclamation--roads

			DOGM		AGC		
Description	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	Cost(\$)	SOURCE
Motor Grader	3	day	851	2,553	560	1,680	Ouray Construction
Motor Grader operator	3	day	346	1,038	inc	0	
Seed, mulch & fertilizer	43	acre	280	12,040	280	12,040	DOGM
Applying mulch and fertilizer	43	acre	56	2,408	na	0	DOGM
One farm tractor & seed drill	2	day	480	960	480	960	DOGM
One Tractor operator	2	day	278	556	176	352	J&C Enterprises, Inc
Subtotal				19,555		15,032	

Reclamation--storage ponds, pads, reservoirs

			DOGM		AGC	
Description	Quantity	Units	\$/Unit	Cost(\$)	\$/Unit	SOURCE
One dozer	6	day	1181	7,086	1128	Tom Lison or Stubbs
One dozer One dozer operator	6	day	327	1,962	inc	0
Seed, mulch & fertilizer	4.3	acre	280	1,204	280	DOGM
Applying mulch and fertilizer	4.3	acre	56	241	na	DOGM
One farm tractor & seed drill	2	day	480	960	480	DOGM
One Tractor operator	2	day	278	556	176	J&C Enterprises, Inc
Subtotal				12,009		9,284



Reclamation--residential area

Description	Quantity	Units	DOGM		AGC	
			\$/Unit	Cost(\$)	\$/Unit	Cost(\$)
One dozer	5	day	1181	5,905	1128	5,640
One dozer One dozer operator	5	day	327	1,635	inc	0
One FE loader	5	day	327	1,635	327	1,635
One FE loader operator	5	day	327	1,635	176	880
One Tractor trailer	2	day	633	1,266	520	1,040
One Tractor trailer operator	2	day	271	542	176	352
Ten laborers	12	day	2778	33,336	1800	21,600
Seed, mulch & fertilizer	2.3	acre	280	644	280	644
Applying mulch and fertilizer	2.3	acre	56	129	na	0
One farm tractor & seed drill	1	day	480	480	480	480
One Tractor operator	1	day	278	278	176	176
Subtotal				47,485		32,447

Tom Lison or Stubbs  
  
DOGM  
J&C Enterprises, Inc  
J&C Enterprises, Inc  
J&C Enterprises, Inc  
Ouray Construction  
DOGM  
DOGM  
DOGM  
J&C Enterprises, Inc

Reclamation--Summary

Description		DOGM		AGC	
			Cost(\$)		Cost(\$)
Mine sites			233,419		68,550
Operational facilities			331,147		224,040
Roads			19,555		15,032
Storage ponds, pads, & reservoirs			12,009		9,284
Residential area			47,485		32,447
Project supervision			9650		9650
Mobilization			5000		5000
Subtotal			658,264		364,003
+ 10% contingency			65,826		36,400
Subtotal 2000 -\$			724,091		400,403
+ 5 yr escalation 3.13%/yr			120,640		66,711
Total			844,730		467,114

American Gilsonite Company  
Bonanza Operations, I-12 Amendment  
May 31, 2000  
M/047/010

R647-4-105 – Maps, Drawings & Photographs

105.2 Surface facilities map

Enclosed is an operational facilities map showing all mine sites and a list of all mine sites and their reclamation status. Also enclosed is scale drawing of a typical mine site and a typical escapeway.

R647-4-106 – Operation Plan

106.6 Plan for protecting & redepositing soils

The topsoil will come from an existing borrow site near Bonanza. Specifically it is located on the north side of the Independent vein between I-10 and I-24. This is located on private land and there is sufficient soil that removal will not effect the final reclamation of the burrow site. Reclamation of the burrow site is included in the reclamation of the operational facilities portion of the large mining plan.

R647-4-109- Impact Assessment

109.1 Impacts to surface & groundwater systems

Water currently pumped from Ziegler Chemical and Mineral mines flows through the lease in a wash as shown on the I-12 map. Water pumped from I-12 will be piped via a 3-inch PVC pipe to that same wash. There will be no disturbance of that wash, so when mining is completed and pumping is stopped. No reclamation of the wash will be required. The pipe will be removed as part of the site reclamation. Any disturbance caused by the installation or removal of the pipe will be leveled and seeded.

R647-4-112- Variance

We request a variance from the requirement to salvage and stockpile topsoil for the reasons provided in our fax of May 5, 2000.

R647-4-113 – Surety

We request that the CD (currently \$6600) which is bonding E-31 a private site with SITLA be moved to the I-12 site. Information need to review bonding for the other sites is included. We further commit to work diligently on resolving the bonding issues on the large mining operation and have a new reclamation contract signed in 45 days.

R647-4-115 Confidential Information

No confidential information was submitted.



06/05/00

## Reclamation Status Mine Sites

Mine	Property	Acreage	Remarks	site type
E-14	patented	1.0	typical mine site with equipment	1
E-15	patented	1.0	typical mine site with equipment	1
E-30w	patented	0.5	typical escapeway with equipment	2
E-27	patented	1.0	typical mine site with equipment	1
E-28	patented	0.5	typical escapeway with equipment	2
E-29	patented	1.0	typical mine site with equipment	1
E-30	patented	1.0	typical mine site with equipment	1
E-31	patented	0.5	typical escapeway with no equipment, \$5,000 SITLA bond	3
I-9	patented	1.0	typical mine site with equipment, no hoist	1
I-10	patented	1.0	typical mine site with equipment, no derrick or bin	1
I-12	SITLA	1.4	Future site--2000	1
I-15	patented	1.0	typical mine site w/ only compressor and building remaining	3
I-16	patented	1.0	typical mine site with equipment, no bin	1
I-18	patented	1.0	typical mine site w/ only 2 buildings remaining	1
I-24	patented	1.0	typical mine site with equipment	1
I-30	BLM	1.0	typical mine site with equipment, no hoist or derrick, \$10,000 SITLA bond	1
B-12	patented	0.5	typical escapeway with equipment	2
B-14	patented	0.1	pre-law should not be on list	6
B-16	patented	1.0	typical mine site with equipment	1
B-38	FEE	1.0	typical mine site with equipment	1
B-40	FEE	1.0	typical mine site with no equipment	3
B-42	FEE	1.0	typical mine site with equipment	1
B-44	BLM	1.0	typical mine site with equipment, no hoist	1
WH-3	BLM	2.1	future site 2003	
WH-7	BLM	2.0	future site 2008	
WH-11	BLM	0.0	pre-law but released 12/8/98	6
WH-12	BLM	1.0	typical mine site with no equipment	3
WH-17	FEE	1.0	typical mine site with equipment, no hoist or derrick	1
LE-3	FEE	0.0	released 6/15/89	6
LE-4	FEE	0.0	released 5/24/00	6
LE-5	BLM	1.0	typical mine site with equipment	1
LE-6	BLM	1.0	typical mine site with equipment	1
LE-7	BLM	0.5	typical escapeway with no equipment	3
LE-10	FEE	1.0	typical mine site with equipment	1
LE-16	patented	1.0	needs to be seeded	4
LE-19	patented	0.5	needs to be seeded, 2.5 acres released 5/24/00	4
LE-20	patented	1.0	needs to be seeded	4
PW-3	patented	0.0	released 12/8/98	6
PW-4	patented	0.0	released 12/8/99	6
H-1	FEE	0.0	released 12/8/99	6
H-2	FEE	1.0	typical mine site with no equipment	3
H-10	patented	1.0	typical mine site with equipment no hoist or derrick	1
R-1	patented	0.0	released 5/24/00	6
R-2	patented	1.0	needs concrete cap	5
R-3	patented	1.0	should be released UBET site	6
R-4	patented	1.0	needs concrete cap	5

46

Note: 1-Typical site w/equip, 2-Typical escapeway w/equip, 3-sites w/o equip, 4-seeding only, 5-cap only, 6-released



# GEORGE T. WELDON INC.

2260 NORTH 250 WEST

VERNAL, UTAH 84078

(435) 789-3324

FAX (435) 781-0359

Rates for labor and equipment without operator.  
Effective January 1, 2000 to December 31, 2000

Superintendent	\$35.00
Foreman	\$30.00
Pipefitter	\$30.00
Welder (carbon)	\$26.50
Welder (stainless)	\$32.50
Operator	\$21.00
Truck Driver	\$20.00
Laborer	\$18.00
D-8 dozer w/kelly ripper	\$104.00
D-8 dozer w/2 shank ripper	\$104.00
D-7 dozer w/ ripper	\$85.00
D-6 dozer w/ ripper or winch	\$65.00
966 Cat loader	\$85.00
619 Cat scraper	\$114.00
140-G Cat motor grader	\$55.00
450-C John Deere sideboom/dozer	\$40.00
561 Cat sideboom	\$65.00
Kobelco 220 trackhoe	\$65.00
Kobelco 300 trackhoe	\$85.00
Rubber tired backhoe	\$30.00
Compactor Whacker Packer type	\$10.00
Compactor pull type	\$15.00
250 C.F.M. Air compressor	\$20.00
185 C.F.M. Air compressor	\$16.00
125 C.F.M. Air compressor	\$14.00
Jack hammer and rock drills	\$10.00
Impact tools and Air drills	\$8.00
Cutting torch	\$8.00 + consumables
4000 watt generator	\$15.00
Pickups and handtools	\$15.00
Winch truck 1-ton	\$18.00
Winch truck 2-ton	\$25.00
Welding truck	\$18.50
Semi-tractor	\$50.00
Semi-tractor w/60 ton lowboy	\$60.00
Semi-tractor w/22 yard belly dump	\$60.00
Semi-tractor w/42' flatbed	\$60.00
10 wheel dump truck	\$40.00
25ft. 3 axle fifth wheel trailer	\$10.00
Boom truck crane type 12 ton	\$42.50
4 wheel drive 65 horse farm tractor	\$30.00
8 ft. John Deere seed drill	\$10.00

<b>NAME</b>	TOM LISON	STUBBS	WELDON
<b>PHONE</b>	789-5457	789-8874	789-3324
<b>D8 DOZER</b>	\$141.00/HR	\$120.00/HR	\$104.00/HR
<b>OPERATOR</b>	INCLUDED	\$21.00/HR	\$21.00/HR
<b>TRANSPORT</b>	\$75.00/HR	\$60.00/HR	\$60.00/HR
<b>OPERATOR</b>	INCLUDED	\$21.00/HR	\$21.00/HR



J & C ENTERPRISES, INC.  
P.O. BOX 1096  
Vernal, UT 84078

435-789-8370  
January 2000  
RATE SHEET

35 Ton Hydraulic Crane	\$100.00	per hr.	80', 112' jib, 130'
37.5 Ton Hydraulic Truck Mounted Crane	\$105.00	per hr.	105' live, 55' jib
50 Ton Hydraulic Crane	\$110.00	per hr.	84' live, 32' jib
55 Ton Pettibone Hydraulic Crane	\$110.00	per hr.	
Truck Tractor	\$ 65.00	per hr.	
Compressor	\$ 28.00	per hr. or	\$150.00 day
Backhoe 4x4	\$ 45.00	per hr.	
Forklift, 15 ton, 18 ton	\$ 45.00	per hr.	
Pickup	\$ 20.00	per hr.	
Trailer	\$ 15.00	per hr.	
1 Ton & Trailer	\$ 45.00	per hr.	
1 Ton & Tools	\$ 20.00	per hr.	
Hotshot, 1 Ton and Trailer	\$ 1.30	per mile	
Foreman~Operator	\$ 22.00	per hr.*	
Oilor or Swamper	\$ 20.00	per hr.*	
Shop time, machine work	\$ 35.00	per hr.	
Consultant, Pumping Unit trouble-shooting	\$ 40.00	per hr. &	\$ .95 per mile
Out of town Subsistence	\$ 50.00	per day, per man	

\* Price based on 8 hour day after which the charge will be time & a half, on weekly rates, time & a half will be charged after 40 hours.

3 hour minimum on all equipment. Crane prices do not include operator.

#### J & C BASES

8' x 24'	\$3,300.00	9' x 28'	\$4,300.00
8' x 28'	\$3,800.00	9' x 32'	\$4,800.00
8' x 32'	\$4,300.00	4' x 12'	\$700.00
8' x 36'	\$4,800.00	4' x 4'	\$250.00

Lease terms also available on bases.

J & C guarantees bases for 1 year against failure. We will furnish the labor and equipment needed to remove unit and replace base.

J & C also rebuilds bearings and does maintenance on all pumping units.

J & C specializes in Setups and moving pumping units as well as warranty work as authorized factory representatives for Lufkin Industries, Inc., American, & Legrand.

J & C is interested in any special need of any individual company or circumstance, if your company has a particular need, please call us and we will do our best to meet that need.



*Chief in Oilfield Maintenance & Construction*

P.O. Box 1847 • Vernal, Utah 84078

Office (801) 789-9011

### Rate Schedule

<u>Description</u>	<u>Classification</u>	<u>Rate Per Hour</u>
Project Supervisor	S	30.00
Crew Foreman	F	20.00
Equipment Operator	O	19.00
Laborer	L	18.00
Welder	W	45.00
1 Ton Winch Truck & Tools	1T	18.50
Pickup Truck & Tools	PK	16.00
Rig-up Truck W/Operator	RT	90.00
Backhoe	BH	27.50
Grader W/Operator	G	70.00
Dump Truck W/Operator	DT	60.00
55 Ton Crane W/Operator	C	110.00
Tractor & Implements	T&I	27.50
Trailer	Tr	7.50

Work week starts on Sunday at 12:01 A.M.

Overtime rate at time and one-half will apply to all over 40 hours per week and holidays.

Christmas Day will be double time.

No overtime will be charged on welders.

Subsistence for men required to be out of town overnight will be \$60.00 per day.

15% charge on all materials furnished by Ouray construction, Inc.

Upon request we will prepare a bid on any specific project.



American Gilsonite Company  
Bonanza Operations, I-12 Amendment  
May 31, 2000  
M/047/010

R647-4-105 – Maps, Drawings & Photographs

105.2 Surface facilities map

Enclosed is an operational facilities map showing all mine sites and a list of all mine sites and their reclamation status. Also enclosed is scale drawing of a typical mine site and a typical escapeway.

R647-4-106 – Operation Plan

106.6 Plan for protecting & redepositing soils

The topsoil will come from an existing borrow site near Bonanza. Specifically it is located on the north side of the Independent vein between I-10 and I-24. This is located on private land and there is sufficient soil that removal will not effect the final reclamation of the burrow site. Reclamation of the burrow site is included in the reclamation of the operational facilities portion of the large mining plan.

R647-4-109- Impact Assessment

109.1 Impacts to surface & groundwater systems

Water currently pumped from Ziegler Chemical and Mineral mines flows through the lease in a wash as shown on the I-12 map. Water pumped from I-12 will be piped via a 3-inch PVC pipe to that same wash. There will be no disturbance of that wash, so when mining is completed and pumping is stopped. No reclamation of the wash will be required. The pipe will be removed as part of the site reclamation. Any disturbance caused by the installation or removal of the pipe will be leveled and seeded.

R647-4-112- Variance

We request a variance from the requirement to salvage and stockpile topsoil for the reasons provided in our fax of May 5, 2000.

R647-4-113 – Surety

We request that the CD (currently \$6600) which is bonding E-31 a private site with SITLA be moved to the I-12 site. Information need to review bonding for the other sites is included. We further commit to work diligently on resolving the bonding issues on the large mining operation and have a new reclamation contract signed in 90 days.

R647-4-115 Confidential Information

No confidential information was submitted.